



GETTING READY FOR RETIREMENT

ARIZONA STATE RETIREMENT SYSTEM
DEFINED BENEFIT PLAN



August 2004

TABLE OF CONTENTS

Table of Contents	2
INTRODUCTION	6
When May I Retire?	6
Normal Retirement Criteria.....	6
Early Retirement Criteria.....	7
One Year Prior to Retirement	7
Group Meetings.....	7
Long Term Disability.....	8
LTD Advantages.....	9
LTD Disadvantages.....	9
Eligibility for Long Term Disability	9
How to Apply	9
HOW RETIREMENT BENEFITS ARE CALCULATED.....	10
Total Credited Service.....	10
The Graded Multiplier.....	11
Average Monthly Compensation.....	11
36-Month Calculation.....	11
60-Month Calculation	11
Benefit Estimate.....	12
RETIREMENT ANNUITY OPTIONS	13
Annuity Payment Options.....	14

Partial Lump Sum Distribution.....	14
Level Income Alternative.....	15
Optional Premium Benefit Program	15
RETIREMENT PAPERWORK	16
When to Submit Paperwork.....	16
Retirement Forms	16
Required Forms.....	16
Application for Retirement Benefit.....	17
Beneficiary Form	17
Optional Forms.....	17
Federal Tax Withholding Form W-4P.....	18
Arizona Tax Withholding Form – A-4P	18
Internal Revenue Service Safe Harbor Rule	18
Income Tax Record 1099-R.....	19
General Tax Rules.....	20
Direct Deposit Form	20
Partial Lump Sum Retirement Distribution Form.....	21
PURCHASING SERVICE	22
Reinstatement of Previously Forfeited ASRS Credited Service .	22
Leave of Absence.....	23
Military Service (Active, Reserves or National Guard)	23
Other Public Service	24
Other Public Service Non-Participatory	24

Payment Methods.....	24
Lump Sum Payment	24
Rollovers	25
Pre-Tax Payroll Deductions.....	25
How to Request Service Purchase	25
HEALTH INSURANCE.....	26
Qualifying for Health Insurance.....	26
Enrollment.....	26
Premium Benefit Payment Guidelines	26
Maximum Monthly Health Insurance Premium Benefit	28
Eligibility for Rural Subsidy.....	28
Rural Subsidy Benefits.....	29
INFORMATION FOR RETIRED MEMBERS.....	30
Permanent Benefit Increase.....	30
Enhanced PBI.....	30
RETURNING TO WORK AFTER RETIREMENT	31
Member Who Retires at Normal Retirement	31
Member Who Retires at Early Retirement.....	32
After 12 Months of Retirement	32
Resuming Active Member Status.....	32
Working for a Non-ASRS Employer.....	33
IMPORTANT CONTACT INFORMATION.....	34
Arizona State Retirement System email.....	34

Arizona State Retirement System Phone Numbers	34
Health Insurance.....	34
Dental.....	34
Medical.....	34
Other	34
Long Term Disability.....	35
Helpful Phone Numbers	35
Helpful Websites	35
Appendix A: Early Retirement Chart	36
Appendix B: Explanation of Benefit Check Abbreviations	37
Pay Sources (+).....	37
Deductions (-).....	38
Notes.....	39

INTRODUCTION

As you approach retirement, the Arizona State Retirement System (ASRS) encourages you to take time to learn about the many benefits and options available to you. The Getting Ready for Retirement packet is designed to provide an overview of the retirement process and answer some common questions.

We encourage you to attend one of our routinely scheduled Group Meetings. These provide essential information about benefit programs, program options and required paperwork. You may also contact us at one of the numbers listed in the Important Contact Information section of this document, or you may visit our website at www.asrs.state.az.us for more information.

When May I Retire?



When you retire is up to you. The longer you work and contribute to the ASRS, the larger your retirement benefit will be.

You may take an “early retirement” with a reduced benefit. Or you can increase your benefit by working past your normal retirement date. These concepts are explained below.

Normal Retirement Criteria

Normal retirement is the earliest you may retire with a full benefit, as calculated by the ASRS benefit formula. A normal retirement date occurs under the earliest of the following circumstances:

- At age 65.
- At age 62 with 10 or more years of credited service.
- At any combination of years of credited service and age, totaling 80 points.

Example: *If you have 31 years of credited service and you are 49 years of age, you will be eligible for a normal retirement because you have 80 points ($49 + 31 = 80$).*

Early Retirement Criteria

If you are at least age 50 with five or more years of credited service, you may retire before you reach normal retirement. However, a reduction determined by your age and credited service is applied to your benefit, which stays at the reduced amount as long as you receive retirement benefits. The reduced amount is not increased, except for the addition of possible Permanent Benefit Increases or other supplements authorized by the State Legislature. Please refer to the Appendix section of this document to review the “Early Retirement Reduction” chart.



One Year Prior to Retirement

One year prior to your planned retirement, we encourage you to educate yourself about the ASRS Defined Benefit Plan. As part of your learning, we recommend you attend at least one Group Meeting.

Group Meetings

Within one year of retirement, please call the ASRS Member Services Center to schedule your attendance at a Group Meeting. Meetings fill up fast, so call six months prior to your retirement for availability of seating. The Group Meetings include up to 20 participants.

Your personal information is never discussed with other participants. Each member's individual information is presented in writing to him or her. However, the group format allows members to benefit from questions asked by others. Although Group Meetings are not required, many members find them to be very helpful. Please note that a guest is welcome to attend with you.

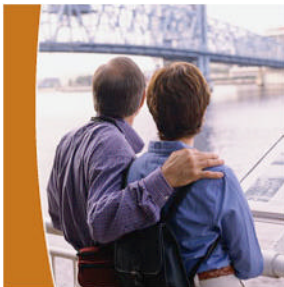
By attending one of our Group Meetings you'll learn:

- How to read your benefit estimate.
- The mechanics of completing the required paperwork.
- What annuity options, service purchase opportunities, post retirement work opportunities, and health insurance options are available to you.

A schedule of Group Meetings can be found on the Calendars page of our website, www.asrs.state.az.us. To schedule an appointment, please call us at one of the numbers below.

Arizona State Retirement System	
Phoenix Office	(602) 240-2000
Tucson Office	(520) 239-3100
Outside of Phoenix/Tucson	1(800) 621-3778
E-Mail	ContactUS@ASRS.state.az.us

Long Term Disability



If you are considering early retirement because of a disability, we recommend you first consider Long Term Disability. If you are eligible for LTD, the LTD benefits will pay up to $66 \frac{2}{3}$ percent of your monthly earnings. You will continue to accrue credited service during the disability period depending on your onset of disability to a possible maximum of 30 years.

Typically, when a member takes an early retirement due to a disability, the retirement benefit is reduced. The member could possibly receive a greater benefit on LTD than if they applied for an early retirement pension.

Once a disabled member reaches normal retirement, the LTD benefits will stop and the member becomes eligible for a retirement pension without reductions.

LTD Advantages

- In most cases, a member on LTD may continue to accrue credited service, increasing their retirement pension.
- LTD may include up to 66 2/3 percent of the member's current salary and can be higher than their retirement benefit.
- A member can not retire unless they are at least 50 with five years of service. If the disability occurs before then, the option of retirement at 50 is lost.

LTD Disadvantages

- LTD payments can be offset by Social Security disability, possibly reducing the LTD payment to \$50 per month.
- If the member's salary prior to LTD was reduced, then LTD benefits may be reduced.

Eligibility for Long Term Disability

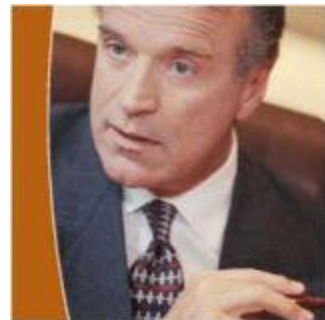
All participants in the ASRS who are employed by a participating ASRS employer are eligible. Pre-existing conditions may be considered in a member's first twelve-months of employment.

A participant who is receiving retirement benefits from the ASRS Plan or System is not eligible.

A participant who withdraws their employee contributions and ceases to be a member of the ASRS is not eligible.

How to Apply

To apply for Long Term Disability, please contact your employer's personnel or benefits department and request the appropriate LTD application. For further details visit the ASRS website at www.asrs.state.az.us or contact the ASRS LTD administrator, VPA. Please see the "Important Contact Information" section of this document for the VPA phone number.



HOW RETIREMENT BENEFITS ARE CALCULATED

Your retirement benefits are determined by the following formula.

TOTAL CREDITED SERVICE	The period of your employment during which you are a member making contributions to the ASRS – plus any service purchased and credited to your account.
X	Multiplied by
GRADED MULTIPLIER	A percentage set by statute. It is based on your total years of service at retirement.
X	Multiplied by
AVERAGE MONTHLY COMPENSATION	Determined by one of two calculation methods: the 36 month or 60 month calculation.

The following sections provide detailed information on the Total Credited Service, Graded Multiplier and the Average Monthly Compensation.

Total Credited Service

The Total Credited Service is the period of your employment during which you are a member making contributions to the ASRS – plus any service purchased and credited to your account.

The Graded Multiplier

The graded multiplier is a percentage set by Arizona State statute. It is the percentage of the average monthly compensation you will receive for each year of credited service you have accrued at retirement. This percentage is based on your total years of service at retirement. See the following graded multiplier schedule to determine which percentage applies to your retirement calculation.

Years of Service	Percentage
0.00 – 19.99	2.10%
20.00 – 24.99	2.15%
25.00 – 29.99	2.20%
30.00 – or more	2.30%

Average Monthly Compensation

Average Monthly Compensation is determined by one of two calculation methods: the 36-month or 60-month calculation.

36-Month Calculation



The 36-month calculation is required for members who began contributing to the ASRS on or after January 1, 1984. To determine your benefit using this formula, the ASRS averages your highest 36 consecutive months of salary within the last 120 months of service. This calculation excludes any lump sum payments you receive upon retirement.

60-Month Calculation

The 60-month calculation is for members who began contributing to the ASRS before January 1, 1984. To determine your benefit using this formula, the ASRS averages your highest 60 consecutive months of salary within the last 120 months of service. This calculation may

include lump sum payments you receive upon retirement. Lump sum payments may include sick pay (except for state and county employees), vacation pay, compensation time pay, retirement incentive pay (excludes payments made after retirement begins, such as VIP or ESP), or any other payments paid at the time of retirement.

Note: *The average monthly compensation for members who began contributing before January 1, 1984 is automatically based on whichever calculation provides the greater benefit amount.*

Benefit Estimate

A benefit estimate provides you with personalized information about your retirement benefits and lists an approximate monthly amount you can expect to receive under each available option based on the benefit formula.

You may obtain your benefit estimate online by visiting www.asrs.state.az.us and accessing the Online Estimators page. You may also call us to request a benefit estimate be sent to you by mail.



RETIREMENT ANNUITY OPTIONS



The ASRS pays a monthly benefit for the lifetime of the member. When you retire, you will be required to choose a retirement annuity option.

Options cannot be changed once a member starts receiving annuity checks with the exception of Term Certain or Joint and Survivor options.

The chart below outlines the retirement annuity options available to you.

RETIREMENT ANNUITY OPTION	DEFINITION	ABILITY TO CHANGE
Straight Life Annuity	Provides a monthly benefit for life. If your death occurs before all of your contributions plus interest have been paid, the remaining balance will be paid to your beneficiary.	NO
Life Annuity 5 Year Certain	Provides a reduced monthly benefit for life. If your death occurs before receiving 60 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 60 have been made. Retiree must be age 103 or younger.	YES
Life Annuity 10 Year Certain	Provides a reduced monthly benefit for life. If your death occurs before receiving 120 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 120 have been made. Retiree must be age 92 or younger.	YES
Life Annuity 15 Year Certain	Provides a reduced monthly benefit for life. If your death occurs before receiving 180 monthly payments, the ASRS will pay the remaining payments to your beneficiary until all 180 have been made. Retiree must be age 84 or younger.	YES
Joint and Survivor 100%	Provides a reduced monthly benefit for life. Upon your death, the ASRS will pay 100% of your monthly benefit to your beneficiary for the rest of their life. You may choose this option if your beneficiary is your spouse or a non-spouse who is not more than 10 years younger than you.	YES

RETIREMENT ANNUITY OPTION	DEFINITION	ABILITY TO CHANGE
Joint and Survivor 66 2/3%	Provides a reduced monthly benefit for life. Upon your death, the ASRS will pay a benefit to your beneficiary for the rest of their life. The payment to your beneficiary will be equal to 66 2/3% of your monthly benefit. You may choose this option if your beneficiary is your spouse or a non-spouse who is not more than 24 years younger than you.	YES
Joint and Survivor 50%	Provides a reduced monthly benefit for life. Upon your death, the ASRS will pay a benefit to your beneficiary for the rest of their life. The payment to your beneficiary will be equal to 50% of your monthly benefit. There are no age restrictions for the beneficiary.	YES

Annuity Payment Options

The ASRS also provides the following retirement annuity payment options.

Partial Lump Sum Distribution

This option allows you to take a portion of your retirement income in a lump sum payment. You may elect, at retirement, a partial lump sum payment for any number of months, to a maximum of 36, of your calculated straight life annuity benefit.



Your annuity check will be actuarially adjusted to a reduced amount for the remainder of your lifetime. The dollar amount of your lump sum is not affected by the retirement option you choose. This payment is subject to federal and state tax unless the partial lump sum payment is rolled to another eligible plan.

If you retire prior to age 55 and elect a partial lump sum option but do not roll the distribution into another eligible plan, the distribution may be subject to a federal excise tax for early withdrawal from a retirement account.

Level Income Alternative

This provision is for members who retire prior to age 62, and who wish to receive a higher benefit in the early years of retirement in exchange for a reduced ASRS benefit when they become eligible for Social Security at age 62.

The Level Income Alternative provision is not a separate option for the disbursement of retirement benefits; it is an alternative that may be chosen with any of the seven retirement benefit options. You may rescind this option within six months from your date of retirement.

Under the Level Income Alternative provision, the ASRS pays you an amount in addition to your regular retirement benefit until age 62. The additional amount is equal to a portion of your estimated Social Security benefit.

Once you reach age 62, the ASRS will reduce your ASRS benefit by an amount equal to your total estimated Social Security benefit.

This reduction in your ASRS benefit begins at age 62, even if you are not receiving Social Security benefits. Your ASRS benefit stays at the reduced amount for the remainder of your lifetime.

Optional Premium Benefit Program



As an additional benefit to retirees, the ASRS provides for a monthly Health Insurance Premium Benefit to help offset the costs of health insurance. The Optional Premium Benefit provides a reduced Health Insurance Premium Benefit at retirement, and allows the benefit to continue to your eligible beneficiary upon your death. A Joint and Survivor or Period Certain pension option must be elected at the time of retirement.

Upon your death, your eligible beneficiary would be entitled to all or a portion of the reduced monthly Health Insurance Premium Benefit. To be eligible, your retirement date must be on or after January 1, 2004. You have a one-time opportunity to elect this benefit upon retirement.

RETIREMENT PAPERWORK

When to Submit Paperwork



You should submit your completed retirement paperwork to the ASRS approximately 60-90 days prior to your planned retirement date. Your paperwork must be received by the effective date of your retirement.

When choosing a retirement date, you may retire as early as one day following your termination date or anytime thereafter.

Please remember that the termination date and the retirement date cannot occur on the same day. Retirement will not be effective until the ASRS receives your application.

Retirement Forms

There are two required forms and four optional forms associated with filing your retirement paperwork. The required forms establish your retirement account with the ASRS and designate your beneficiary (or beneficiaries).

The optional forms will give you the opportunity to indicate any federal and state withholding tax preferences you may have, elect to have your retirement check electronically deposited into your checking or savings account, and/or to choose to take a portion of your retirement income in a lump sum payment.

Required Forms

- Application for Retirement Benefit
- Beneficiary Form

Application for Retirement Benefit

This application must be received by the ASRS on or before your effective retirement date. If the application is not received properly completed, your pension benefit may be delayed.

Beneficiary Form

You must submit a newly completed beneficiary form with your retirement application. In all instances, the total of all primary beneficiaries listed must equal 100 percent and the total of all secondary beneficiaries must equal 100 percent.



If you elect any of the four Life Annuity options, the primary beneficiary is the person or persons who will receive a benefit if there is a benefit remaining to be paid. With any of the Life Annuity options, you may have more than one primary beneficiary. If you name more than one person, the total of your primary beneficiaries must equal 100 percent. You may also name a trust, estate or organization as your beneficiary.

If you elect a Joint & Survivor option, the primary beneficiary will receive lifetime benefits upon your death. With a Joint & Survivor option, you can only name one person as a primary beneficiary.

Naming a secondary beneficiary in all cases is highly recommended. Should the primary beneficiary pre-decease you, any remaining eligible contributions will be paid to the named secondary beneficiary. If you name more than one secondary beneficiary, the total must equal 100 percent.

Optional Forms

- W-4P (Federal Tax Withholding form)
- A-4P (State Tax Withholding form)
- Direct Deposit form
- Partial Lump Sum Retirement Distribution form

Federal Tax Withholding Form W-4P

All, or a portion, of your pension benefit is considered taxable income by the IRS. Complete the “Withholding Certificate for Pension Annuity Payments” section of this form to instruct the ASRS how to withhold federal tax due from your pension benefit. Although not required, you may use the IRS-provided work sheets to determine the total number of personal allowances you may claim.

If you began contributing to the ASRS after July 1, 1986, and have not purchased service with after-tax money, your entire benefit will be taxable income.

The amount of money, if any, in your account that is not subject to taxation during retirement derives from contributions received prior to July 1, 1986, and/or any after-tax payments made to purchase service.

Arizona Tax Withholding Form – A-4P



In 1989, the Arizona State Legislature passed a bill mandating state taxation of a member’s retirement pension for 1989 and thereafter. Any member receiving a retirement pension is responsible for paying state taxes on the amount received. All members have a \$2,500 per year tax exclusion.

Note: *If you reside in another state while receiving an ASRS pension benefit, you are not responsible for Arizona State income taxes. If you move to another state while receiving an ASRS benefit, you must complete form A-4P to stop your Arizona State tax withholding. The ASRS will not withhold taxes for any state other than Arizona.*

Internal Revenue Service Safe Harbor Rule

The Safe Harbor/Simplified Tax Method calculates a specific amount of nontaxable income. This calculation is based on the option chosen and the age of the retiree and/or survivor at the time of retirement. The IRS designed a table that determines the number of months used to exclude from taxation the member’s contributions made before

July 1, 1986, and/or any service purchased with after-tax monies. This calculation can be used to estimate the amount of a retiree's nontaxable income before actual retirement.

Safe Harbor/Simplified Rule Formula: Total contributions made before July 1, 1986, plus any service purchase with after-tax dollars, divided by the number of months of return, equals the amount of the retiree's pension that is not taxable. Please refer to IRS Safe Harbor Method table.

IRS SAFE HARBOR METHOD
(Exclusion Ratios Simplified)

Age at Retirement	Life Annuity Options Months of Return	Member's Age + Survivor's Age at Retirement (Ages Combined for Total Years)	Joint & Survivor Options Months of Return
Age 55 & Under	360 Months (30 Years)	110 Years or Under	410 Months (34.16 Years)
Age 56-60	310 Months (25.84 Years)	111-120 Years	360 Months (30.00 Years)
Age 66-70	210 Months (17.5 Years)	131-140 Years	260 Months (21.67 Years)
Age 71 & Over	160 Months (13.34 Years)	141 Years or Older	210 Months (17.5 Years)

Income Tax Record 1099-R

Each year you will receive a 1099-R, which is mailed by January 31. This statement will list information regarding your retirement benefits received, such as the total gross amount of your benefit from the previous calendar year, the total amount of taxable income, the total amount of federal taxes withheld, the taxable exclusion amount

(as described in the Safe Harbor table), and the total amount of state taxes withheld.

The IRS does not allow the ASRS to list other deductions, such as health insurance.

General Tax Rules

- The ASRS cannot withhold state taxes if there are no federal taxes withheld.
- The ASRS cannot solely withhold a fixed federal amount.
- The ASRS cannot withhold a fixed state amount.
- If you claim a number of allowances (including zero allowances) and select a marital status, you may request an additional fixed amount for federal withholding.
- You may elect to not have federal taxes withheld.
- Arizona State tax withholding is voluntary.
- If you do not submit the federal tax withholding form, the ASRS must withhold federal taxes on periodic payments as if you were married claiming three withholding allowances.

Direct Deposit Form

You may choose to have your checks mailed to your home or deposited directly into your financial institution account anywhere in the continental United States. To have the benefit payment deposited into your account, you must complete the Member Information section and have your financial institution complete the Bank Supplied Information section, or attach a blank, voided check to the upper left-hand corner of the form. If possible, submit the Direct Deposit form with your retirement application. Your payment will be automatically deposited and a deposit summary will be mailed to you.

Partial Lump Sum Retirement Distribution Form

If you choose this option on the retirement application, you need to complete this form. Start by indicating the number of months requested and complete the Member Information section. Be sure to initial that you have read and understand the special tax notice. Carefully read the instructions regarding your partial lump sum payment options.

PURCHASING SERVICE



Arizona laws of 1996 expanded the credited service purchase options available to active members of the ASRS. You are eligible to buy credited service time if you are actively contributing to the ASRS or are currently receiving Long Term Disability benefits as an ASRS member. Any service purchase must be completed prior to retirement.

The various credited service purchase options are listed below.

Reinstatement of Previously Forfeited ASRS Credited Service

You may reinstate previously forfeited ASRS credited service by paying an amount equal to the gross amount of the refund (including the amount of any taxes withheld) plus interest to the date of request. You may request this purchase at any time prior to termination of employment and may reinstate all or any portion of the forfeited service.

Because interest accrues on the contributions, the longer you wait the greater the cost. The ASRS interest rate is set at the ASRS earnings rate, which is currently eight percent.

Under the following options, the cost to purchase service for requests made on or after August 25, 2004 is the Actuarial Present Value.

Actuarial Present Value defines the current value of a member's future retirement benefit, compared to the value of the benefit with the additional service years included in the calculation. The member pays the difference between these two values, thereby fully funding their future benefit.

For service purchase requests made prior to August 25, 2004, the ASRS assesses the cost at “normal cost,” which is a fixed cost, as determined by the ASRS actuary, to fund future retirement benefits.

The change in ASRS policy to use Actuarial Present Value was made to more accurately capture the cost of service purchase because it relies on individual calculations, factoring in a member’s years of service, age, current annual compensation and amount of service credit purchased. Options that use the Actuarial Present Value calculation are listed in the next section.

Leave of Absence

If you have taken an approved, unpaid leave of absence from an ASRS employer, you may purchase this time under the following guidelines:

- You may purchase a maximum of one year service credit for each approved, unpaid leave of absence.
- You must not have received a refund of your contributions from the ASRS.
- You must have returned to work with the same employer, unless:
 - The position was no longer available; or
 - You were disabled and could not return to work.
- The employer certifies that your leave of absence was in the best interest of the employer.



Military Service (Active, Reserves or National Guard)

You may buy ASRS credited service for any amount of active military duty, active reserve duty, or National Guard duty if you were honorably discharged. You must provide a copy of your military service record (DD-214), or its equivalent, to document your service.

Other Public Service

You may buy service credit for any amount of time worked while contributing to another public retirement plan. You must not be receiving, or be eligible to receive, a benefit from any other retirement plan based on this same service. If you have current service in another retirement plan, that service must be forfeited and those funds used as a rollover toward the purchase of the ASRS service credit.

Other Public Service Non-Participatory

You may purchase time worked for another public employer even if you were not contributing to a public retirement plan. This would include waiting periods for eligibility to participate in a public retirement plan or work which did not meet eligibility requirements for a public retirement plan.

Payment Methods

There are three payment methods you may use to purchase service credits. Arizona State statutes allow you to buy service time utilizing one of the options discussed in the following sections.

Lump Sum Payment

The full or partial cost of the purchase may be made in after-tax payments. To purchase service through more than one after-tax payment, all after-tax payments must be submitted before your invoice letter has expired.



Note: *For members who joined the ASRS on or after July 1, 1999, after-tax payments are subject to the annual limits on contributions to the ASRS contained in 415(b) and (c) of the Internal Revenue Code of 1986. Subject to the criteria of the law, individual limits may vary.*

Rollovers

A rollover is a transfer of monies from an eligible retirement plan or IRA to the ASRS. To be accepted by the ASRS, a rollover must meet specific criteria. Contact the ASRS if you would like more information about this payment method.

Pre-Tax Payroll Deductions

Credited service may be purchased through a Payroll Deduction Agreement.

Payroll deductions have IRS approval for pre-tax qualification and will reduce your taxable income. Payroll Deduction Agreements established from a service purchase request submitted on or after July 1, 2004 will include interest. The interest rate is the same as the ASRS earnings rate, currently eight percent.

How to Request Service Purchase



If eligible, you may request the purchase of previous service under any of the above options by calling the ASRS. You may also complete a service purchase request on our website, www.asrs.state.az.us.

Once your request is submitted, you will receive an acknowledgement from the ASRS. You will be requested to submit any required documents within 90 days. You will then receive a service purchase invoice with instructions on how to indicate your preferred method of payment.

HEALTH INSURANCE

Qualifying for Health Insurance

Any ASRS member who is receiving a pension or disability payment from the ASRS is eligible for ASRS Retiree Health Insurance coverage, and the Health Insurance Premium Benefit payment. To qualify for this benefit, you must be participating in an ASRS employer's health insurance program, or in the ASRS Retiree Health Insurance program.

Enrollment



If you wish to enroll in the ASRS Retiree Health Insurance program upon retirement, you must enroll in the plan no later than 30 days prior to the desired effective date of your retirement.

The ASRS has an annual Open Enrollment period (this usually occurs during the fall, for coverage to begin the following January) which allows you to enroll in the ASRS Retiree Health

Insurance program if you are not participating in an employer's health insurance program.

Premium Benefit Payment Guidelines

Premium Benefit payments are made in accordance with the following guidelines:

- The ASRS sends a monthly payment for each eligible member to the administrator of the respective employer's health insurance programs.
- The payment is applied to the member's insurance premium, and the member is responsible for paying any remaining balance.

Members participating in the Maricopa County, Pima County, Tucson Unified School District, Arizona Department of Administration, or

ASRS health insurance programs (list subject to change) will have the remaining balance deducted from their monthly retirement pension check, except in the following cases:

- If the member is participating in a long term disability plan, or
- If the member's monthly benefit is less than the insurance premium.

Note: *In the above cases, members are required to make direct payment to the administrator or insurance company of their health insurance program. Members planning to stay with their former ASRS employer's insurance program should contact their personnel office insurance liaison.*

Maximum Monthly Health Insurance Premium Benefit

The following charts reflect maximum monthly payment amounts available for eligible members and their dependents.

Monthly Retiree Premium Benefit	WITHOUT MEDICARE		WITH MEDICARE Part A & B		COMBINATIONS	
	Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependents, one with Medicare, the other(s) without	Retiree & Dependent, both with Medicare, other Dependents without
YEARS OF SERVICE						
5.0-5.9	\$75	\$130	\$50	\$85	\$107.50	\$107.50
6.0-6.9	\$90	\$156	\$60	\$102	\$129	\$129
7.0-7.9	\$105	\$182	\$70	\$119	\$150.50	\$150.50
8.0-8.9	\$120	\$208	\$80	\$136	\$172	\$172
9.0-9.9	\$135	\$234	\$90	\$153	\$193.50	\$193.50
10.0 and up	\$150	\$260	\$100	\$170	\$215	\$215

Eligibility for Rural Subsidy

Retirees who are participating in a medical plan provided by the ASRS, or a participating employer of an Arizona state retirement system or plan, and who live in areas of Arizona where no managed care (HMO) program is offered are entitled to receive an additional temporary premium benefit subsidy. These rural subsidy amounts are listed on the following page and are effective from July 1, 2003, through June 30, 2005.

Eligible “rural” retirees are required to pay a portion of the cost of their medical insurance plan before the rural subsidy is applied to their remaining medical plan premium. These required payments are:

WITHOUT MEDICARE	WITH MEDICARE	AMOUNT
Retiree Only	\$125 per month	\$100 per month
Retiree + Dependents	\$425 per month	\$200 per month
Combination Plans	\$400 per month	\$400 per month

Rural Subsidy Benefits

The rural subsidy benefits listed below expire June 30, 2005.

Monthly Retiree Rural Premium Benefit	WITHOUT MEDICARE		WITH MEDICARE Parts A & B		COMBINATIONS	
	Retiree Only	Retiree & Dependents	Retiree Only	Retiree & Dependents	Retiree & Dependents, one with Medicare, the other(s) without	Retiree & Dependent, both with Medicare, other Dependents without
YEARS OF SERVICE						
5.0-5.9	\$150	\$300	\$ 85	\$175	\$235	\$235
6.0-6.9	\$180	\$360	\$102	\$210	\$282	\$282
7.0-7.9	\$210	\$420	\$119	\$245	\$329	\$329
8.0-8.9	\$240	\$480	\$136	\$280	\$376	\$376
9.0-9.9	\$270	\$540	\$153	\$315	\$423	\$423
10.0 and up	\$300	\$600	\$170	\$350	\$470	\$470

INFORMATION FOR RETIRED MEMBERS

Permanent Benefit Increase

Permanent Benefit Increase funds are generated by excess earnings in the retirement fund as determined by the ASRS actuary and distributed each July to retired members when excess earnings are identified.

The money for this benefit is not tied to the federal Cost of Living Index. To receive the annual PBI, you must be retired by July 31 of the previous year.

Enhanced PBI

The Enhanced PBI is for retirees who have a minimum of 10 years of credited service at the time of retirement, and have been retired from the ASRS Defined Benefit Plan for five or more years.



This enhancement provides additional benefit increases based on the total number of years since your original retirement date. (If you suspend your retirement, return to work and to active membership for any period, that time will not qualify as time retired.) Funds for this benefit are generated from assumed earnings on the original funds set aside for the general PBI. The concept for the Enhanced PBI is to provide an additional benefit to retirees based on years since retirement, thus helping offset the cumulative effects of inflation experienced since retirement.

RETURNING TO WORK AFTER RETIREMENT

Arizona State statute and federal age-discrimination laws require the ASRS to treat rehired retirees under the same membership rules as any new employee. Your status as a retired member returning to work with an ASRS employer shall be determined according to the same criteria applied to any employee of that employer.



Member Who Retires at Normal Retirement

If you retired at age 65, or at age 62 with at least 10 years of service, or at 80 points:

- You may return to work the day after retirement and work less than 20 hours a week for any length of time and remain eligible to continue receiving pension benefits.
- You may return to work the day after retirement and work 20 hours or more a week for 19 weeks in any fiscal year and continue to receive your pension benefit. After the 19th week, you may work no more than 19.5 hours per week for the remainder of that fiscal year to remain eligible to continue receiving pension benefits.

If you continue working 20 hours or more per week, you will resume active membership, and the ASRS will suspend your pension benefit, and your employer will be required to withhold retirement contributions from your wages

NOTE: You will be required to re-pay the ASRS for any pension payments and health insurance premium benefit payments received while working 20 or more hours per week, starting with the 20th week.

Member Who Retires at Early Retirement



If you elected to receive retirement benefits before reaching normal retirement (with a reduced benefit at early retirement), you must have terminated employment and may return to employment with an ASRS employer no earlier than 60 calendar days after the date of termination of employment. You may return to work under the following circumstances:

- After 60 calendar days, you may return to work for less than 20 hours per week for any length of time and remain eligible to continue to receive pension benefits.
- You may work 20 hours or more per week for 19 weeks in any fiscal year and, starting with the 20th week, may work no more than 19.5 hours per week for the remainder of that fiscal year to remain eligible to continue receiving pension benefits.

After 12 Months of Retirement

If you have been retired for 12 months (and not meeting the conditions for ASRS active membership), upon reaching normal retirement, you may return to work for any amount of time and continue to receive pension benefits. You must acknowledge the conditions of your work and notify the ASRS and your employer in writing of your intention to work and not have retirement contributions withheld from your wages and not accrue additional credited service or Long Term Disability benefits.

Resuming Active Member Status

At any time, you, as a rehired retiree, can suspend your retirement benefit and resume active member status. While you remain in active status, you will earn additional credited service and can re-retire with a higher benefit after working more than 20 weeks.

Working for a Non-ASRS Employer

You may retire, receive your pension benefit and work for a non-ASRS employer without any restrictions.

IMPORTANT CONTACT INFORMATION

Arizona State Retirement System email

ContactUS@ASRS.state.az.us

Arizona State Retirement System Phone Numbers

Phoenix ASRS Office.....(602) 240-2000

Tucson ASRS Office.....(520) 239-3100

Outside of Phoenix/Tucson1(800) 621-3778

Health Insurance

Dental

Indemnity Plans.....1(800) 442-7742

Pre-Paid Plans.....1(800) 443-2995

Medical

HMO Plans.....1(800) 347-8600

PPO Plans.....1(866) 316-9776

Indemnity Plans.....1(866) 316-9776

Senior Supplement Plan.....1(800) 851-3802

Other

ScriptSave.....1(800) 700-3957

Vision Plan associated with dental coverage....1(800) 877-7195

Long Term Disability

Long Term Disability Administrator.....1(800) 621-3778 x 2133

Phoenix area phone number..... (602) 240-2133

Tucson area phone number (520) 239-3100

Helpful Phone Numbers

Medicare.....1(800) 633-4227

Social Security..... 1(800) 772-1213 x 2133

Helpful Websites

ASRS Website

www.asrs.state.az.us

Internal Revenue Service

www.irs.gov

Arizona Legislature

www.azleg.state.az.us

Fortis Benefits

www.fortisbenefitsdental.com

Medicare

www.medicare.gov

PacifiCare

www.pacificare.com

Social Security Administration

www.ssa.gov

APPENDIX A: EARLY RETIREMENT CHART

AGE	YEARS OF CREDITED SERVICE															
	5 Months - 4.9 Years	5 - 9.9 Years	10 - 17 Years	18	19	20	21	22	23	24	25	26	27	28	29	30
48	Not Eligible	Not Eligible	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E
49	Not Eligible	Not Eligible	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	N/E	
50	Not Eligible	35%	44%	44%	44%	50%	50%	50%	50%	50%	50%	50%	91%	94%	97%	
51	Not Eligible	40%	49%	49%	49%	55%	55%	55%	55%	55%	55%	91%	94%	97%		
52	Not Eligible	45%	54%	54%	54%	60%	60%	60%	60%	60%	91%	94%	97%			
53	Not Eligible	50%	59%	59%	59%	65%	65%	65%	65%	91%	94%	97%				
54	Not Eligible	55%	64%	64%	64%	70%	70%	70%	91%	94%	97%					
55	Not Eligible	60%	69%	69%	69%	75%	75%	91%	94%	97%						
56	Not Eligible	65%	74%	74%	74%	80%	91%	94%	97%							
57	Not Eligible	70%	79%	79%	79%	91%	94%	97%								
58	Not Eligible	75%	84%	84%	91%	94%	97%			100% of Retirement Benefit						
59	Not Eligible	80%	89%	91%	94%	97%										
60	Not Eligible	85%	94%	94%	97%											
61	Not Eligible	88%	97%	97%												
62	Not Eligible	91%	100%													
63	Not Eligible	94%														
64	Not Eligible	97%														
65	100%															

APPENDIX B: EXPLANATION OF BENEFIT CHECK ABBREVIATIONS

Pay Sources (+)

ANNUITY	The monthly base amount of your benefit.
HI REIMB Heath Insurance Reimbursement	Reimbursement due to insurance adjustments.
LEVEL PAY Level Payment	The additional amount you receive prior to age 62 if you elect the Level Income Alternative provision at retirement.
PBI/EPBI Permanent Benefit Increase Enhanced Permanent Benefit Increase	The PBI, if given, based on excess earnings in the ASRS retirement fund. The EPBI, if given, based on the total number of years since your original retirement date.
EXCLUS Exclusion	The portion of your monthly benefit which is exempt from federal taxing.
PREM BEN Premium Benefit	The benefit you receive towards the full cost of your eligible health insurance.
NONSRVPB Non Service Area Premium Benefit	The temporary additional benefit you receive towards health insurance, if you live in a non-HMO service area. (Rural Subsidy)
MISC PMT Miscellaneous Payment	Additional payments.

Deductions (-)

FED TAX Federal Withholding tax	The amount withheld for Federal Income Tax.
AZ TAX Arizona State Withholding Tax	The amount withheld for Arizona Income Tax.
Dues Retiree Association Dues	The amount withheld for retiree association dues.
HI PREM Health Insurance Premium(s)	The full amount of your medical and/ or dental insurance premiums.
SS EST Social Security Estimated Amount	The amount withheld, starting at age 62, if you elected the Level Income Alternative provision at the time of retirement.
CLD SUP Child Support	The amount withheld for child support.
LEVY Tax levy	Garnishment.
MISC Miscellaneous	Additional deductions.

NOTES